



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Merchants and Manufacturers Bank Corporation / Merchants and Manufacturers Bank

Person to be contacted regarding this report:	Brad W. Butler, SVP
CPP Funds Received:	\$3,510,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	6/19/2009
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	2022734
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	20040
City:	Joliet
State:	Illinois

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	The Bank increased loan originations and loan renewal activity because of the additional capacity provided by the CPP funds. Gross loans outstanding increased by 16.5% from June 2009 to December 2009. See below for additional information.
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<input checked="" type="checkbox"/>	<p>To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).</p>	<p>Small Business Loans: + 10.6% (+ \$8.2 million) Residential Loans: + 39.1% (+ \$3.4 million) Personal/Private Loans: + 40.9% (+ \$5.9 million)</p>
<input type="checkbox"/>	<p>Increase securities purchased (ABS, MBS, etc.).</p>	
<input type="checkbox"/>	<p>Make other investments</p>	
<input checked="" type="checkbox"/>	<p>Increase reserves for non-performing assets</p>	<p>In light of the increasing uncertainty in the economy at large, the Bank provided an additional \$850,000 to its Loan Loss Reserve in 2009.</p>

<input checked="" type="checkbox"/>	Reduce borrowings	<p>The Holding Company was able to temporarily reduce its borrowings at the holding company, saving a small amount of interest expense. These borrowings have since increased to support the loan growth at the Bank.</p>
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP funds?

The CPP funds were a factor in allowing the Bank to continue to grow and maintain profitability through the growth period. Because of this growth and profitability, the Bank was able to retain all of its employees and, in fact, has added to the Bank staff.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

Merchants and Manufacturers Bank is a niche commercial lender based in Joliet, Illinois, which is located just south of Chicago. In late 2008, the Bank was approaching its growth cap based on the capital on hand. By that time, the crisis in the Banking industry virtually shut down the equity markets available to privately held commercial banks like MMB. Despite remaining profitable and being relatively unscathed from the economic turndown, the prospects for continued growth at the Bank were not good.

The extension of CPP funds to privately held banks provided much needed funds for the bank to continue to lend to its target markets, including privately held manufacturers and distributors in the greater Chicago area market. As a result of this influx of capital, which was not available in the private sector at the time, the Bank was able to originate 96 new loans for a total dollar amount of \$40.8 million and was able to renew 93 loans for a total dollar amount of \$44.3 million. Included in these loans were loans to small businesses that collectively employ over 2,000 employees and pay taxes on over \$300 million in gross annual revenue.

Overall, the Directors, Officers and Employees are proud of their record of deploying the funds received under the Capital Purchase Program. The Bank is still actively lending to small businesses throughout its market in a safe and sound manner with the express purpose of helping our customers achieve their goals in this trying time.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

No other actions.